



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**December 02, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank in Mount Ida  
Charter Number 24333**

**221 South George Street  
Mt. Ida, AR 71957**

**Comptroller of the Currency  
F. Christian Dunn, Assistant Deputy Comptroller  
10201 West Markham, Suite 105 Ozark National Life Bldg.  
Little Rock, AR 72205**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## INSTITUTION'S CRA RATING

### **This institution is rated Satisfactory.**

- ◆ The average loan-to-deposit ratio at 72% is reasonable given the bank's size, financial condition, and assessment area credit needs.
- ◆ A majority of loans are in the bank's assessment area.
- ◆ The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

## DESCRIPTION OF INSTITUTION

First National Bank in Mount Ida (FNBMI) is located in Mount Ida (Montgomery County), Arkansas (AR), which has a population of 981 according to the 2000 census. The bank has its main office in downtown Mount Ida, and a deposit and loan payment branch in the city's only supermarket (Bob's Food City). The bank's only automated teller machine (ATM) is located in the store's parking lot. As of September 30, 2003, the bank reported total assets of \$80 million with \$63 million in deposits and \$44 million in loans (55% of total assets).

The bank's primary business focus is commercial, commercial real estate, and residential real estate loans. FNBMI offers commercial and business loans, residential real estate, home improvement, consumer, agriculture, and commercial real estate. The loan portfolio composition as of September 30, 2003, is as follows:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Loans	\$14,223	32%
Commercial Real Estate Loans	\$11,618	26%
Residential Real Estate Loans	\$10,054	23%
Consumer Loans	\$5,273	12%
Agriculture Loans	\$2,872	7%
<b>Total</b>	<b>\$44,040</b>	<b>100%</b>

FNBMI offers convenient banking hours and a variety of loan and deposit products to meet the needs of the assessment area. There are no financial impediments that would limit the bank's ability to help meet the credit needs in its assessment area.

The bank is 100% owned by First Community Banking Corporation, a multi-bank holding company located in Hot Springs, AR. First Community Banking Corporation has total assets of \$360 million as of September 30, 2003. The bank's last CRA examination was performed as of July 21, 1998 by the Federal Deposit Insurance Corporation and was rated **Satisfactory**.

## DESCRIPTION OF MONTGOMERY COUNTY

FNBMI's assessment area (AA) is all of Montgomery County. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. There are three Block Numbering Areas (BNAs) in the AA, all of which are middle-income. The 2003 Housing and Urban Development (HUD) estimated MFI for non-Metropolitan Statistical Area in Arkansas was \$38,500. HUD estimated MFI is updated annually and is used to determine the income level of individual applicants. The income ranges for the four income levels are as follows: Low-Income = up to \$19,249; Moderate-Income = \$19,250 - \$30,799; Middle-Income = \$30,800 - \$46, 1999; and, Upper-Income = above \$46,200. Low and moderate-income households and families represent about 40% of the population.

Mount Ida is located in the southwestern part of the state, and is almost in the center of Montgomery County. According to 2000 Census Date, the population of Montgomery County was 9,245. The economy of the county is considered to be in a slow growth mode.

The largest employer is Mount Ida Footware Company, a division of Munro Shoes Company, which manufactures shoes. The number of employees is about 260 people. Unemployment as of September 2003 was 4.2% for Montgomery County. The unemployment rate is below the Arkansas average of 6.0% and the U.S. average of 6.1% as of September 2003.

The following table shows the demographic and economic characteristics of the assessment area.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population 2000</i>	
Number of Families	2,746
Number of Households	3,765
<i>Geographies</i>	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$34,709
2003 HUD-Adjusted MFI	\$38,500
<i>Economic Indicators</i>	
Unemployment Rate as of September 2003	4.2%
1977 Median Housing Value	\$54,707
% of Households Below Poverty Level	17%

A community contact with the president of the Mount Ida Area Chamber of Commerce was conducted in conjunction with this CRA examination. This contact revealed that banks in the local area are meeting the primary credit needs in the area.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNBMI's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. There is one other bank that is similarly situated in the AA. Diamond State Bank, which is headquartered in Glenwood (Pike County), AR, has an office in Mount Ida. Glenwood is located 22 miles south of Mount Ida. The following table shows total assets as of June 30, 2003 and the quarterly average loan-to-deposit ratio from December 31, 1999 through June 30, 2003 (15 quarters) for these similarly situated banks.

Institution	Assets (as of 6/30/2003)	Average LTD Ratio
FNB-Mount Ida, Mount Ida, AR	\$82 million	72%
Diamond State Bank, Glenwood, AR	\$108 million	73%

### Lending in Assessment Area

A majority of FNBMI's loans, especially by number, are in the bank's assessment area. The bank geocodes every loan made. Lending within the assessment area is detailed in the following table for loans made from January 1 to November 30, 2003.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	372	83%	\$2,879	66%	78	17%	\$1,473	34%
Residential	81	90%	\$3,082	81%	9	10%	\$728	19%
Agriculture & Commercial	172	77%	\$4,906	54%	51	23%	\$4,169	46%
Total Reviewed	625	82%	\$10,867	63%	138	18%	\$6,370	37%

Although a majority of agriculture and commercial loans are made within the assessment area, a large portion of these loans by dollar volume (46%) is outside the assessment area. Many are large volume loan participations purchased from its sister bank in Hot Springs (Garland County), AR (36 miles east of Mount Ida).

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low-and moderate-income) and businesses of different sizes. The bank geocodes every loan made by income levels. The following tables show the distribution of residential real estate and consumer loans within the various income levels for loans made from January 1 to November 30, 2003.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	20%		20%		25%		34%	
LOANS BY YEAR	% of Number	% of Amount						
2003	7%	4%	21%	6%	26%	24%	46%	66%

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	24%		16%		20%		40%	
LOANS BY YEAR	% of Number	% of Amount						
2003	8%	6%	27%	20%	28%	25%	37%	49%

The above tables show that most of the residential real estate loans were made to middle-income and upper-income borrowers with loans to low-income borrowers significantly below the percentage of low-income people in the assessment area. However, residential loans to moderate-income borrowers, by number, were slightly above the percentage of moderate-income people in the assessment area.

Consumer loans made to low-income are below the percentage of low-income people in the assessment area, but approximately 17% of the household income is below the poverty level. However, consumer loans by number and dollar volume made to moderate-income borrowers were above the percentage of moderate-income people in the assessment area.

The distribution of loans to businesses and small farms of different sizes is reasonable. The following table shows lending to small businesses and small farms.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES AND FARMS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	96%	4%
% of Bank Loans in AA #	96%	4%
% of Bank Loans in AA \$	98%	2%

### Geographic Distribution of Loans

This Office did not perform an analysis of the geographic distribution of the bank’s lending during this examination. The analysis would not be meaningful since all the BNAs in the assessment area are designated as middle-income.

### Responses to Complaints

First National Bank in Mount Ida has not received a formal CRA complaint since the previous examination.

### **Fair Lending or Other Illegal Credit Practices Review**

An analysis of public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.